

Example of application

Usage of Data Mining for
Insurance Scoring

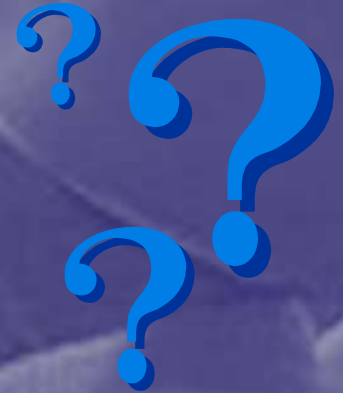


As a manager of the insurance company you know...

...that in the insurance sector one assumes that accidents happen occasionally. Therefore the sum of costs of accidents covered by insurance company should not exceed the total revenue from premium of all insured.

The question is...





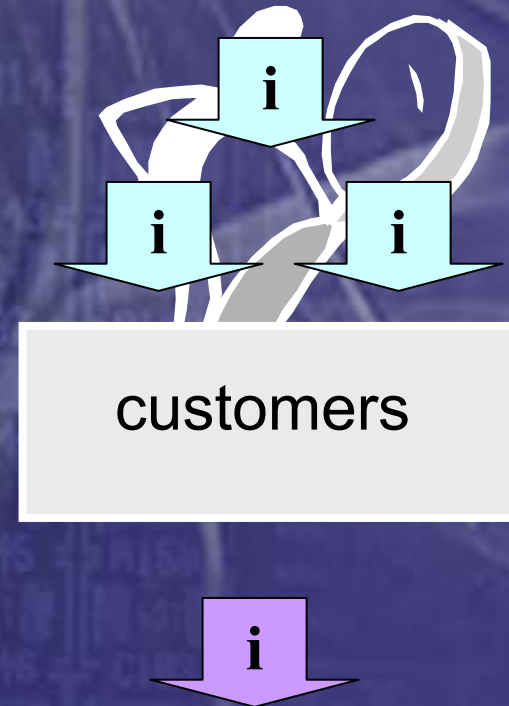
...who is worth to be insured?
...who should pay the higher premium?
...who is a bad customer?

If you know this it would be easier to make
insurance business more profitable!



Task

- You already have a tremendous amount of information about your customers
- For those who are in the middle you should increase the premium or decrease the sum of insurance.



Task

- You are planning to maximize the number of the most profitable customers and get rid of bad candidates for customers.
- You made some experiences which behavior is typical for bad customer



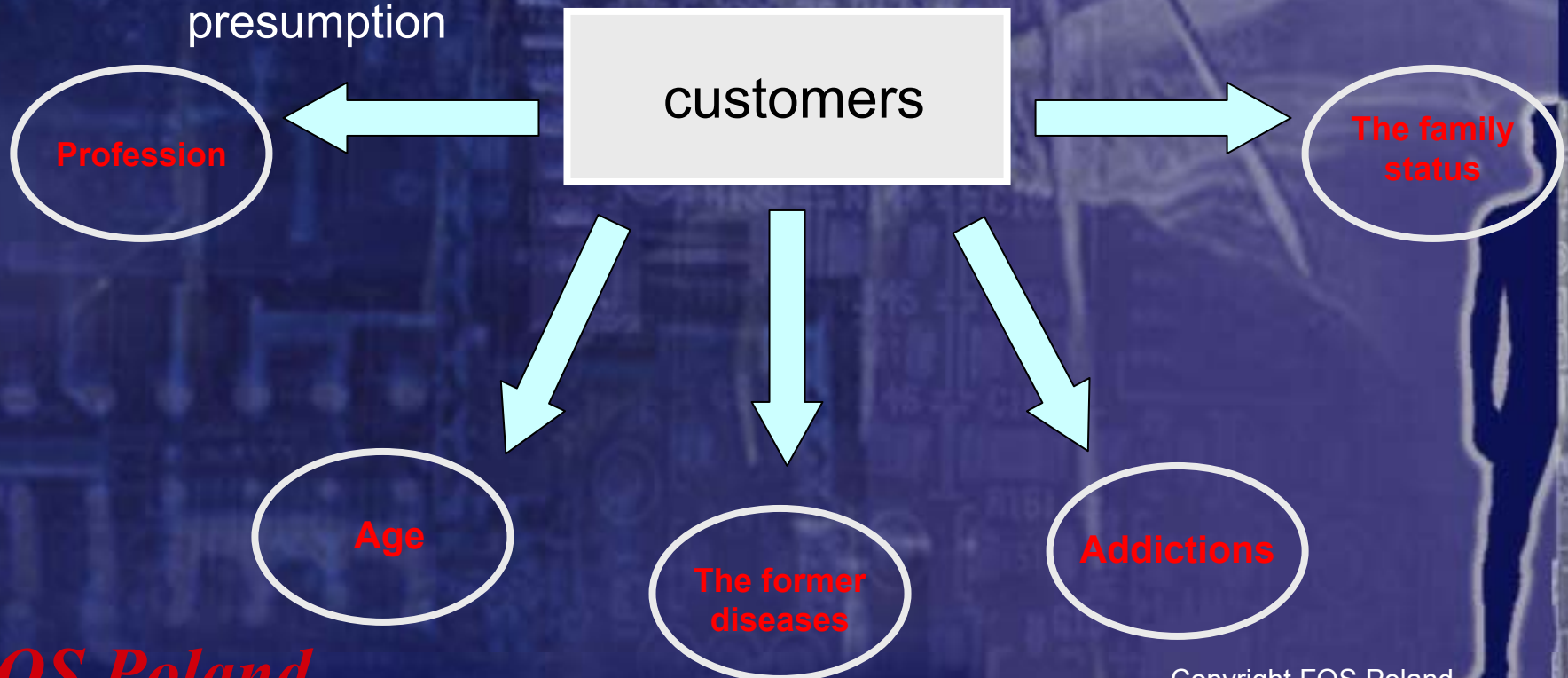
Solution

Using data mining technologies makes it simple to analyze your customer data base and segment customers in relevant groups!



Solution

- ❖ Choose most relevant and important features by which you determine your presumption



Solution

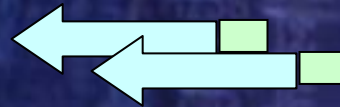
- ❖ Define categories in which you would like to classify your customers



Solution

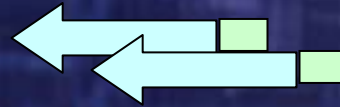
- ❖ Set standards as scales for each category

Class 1



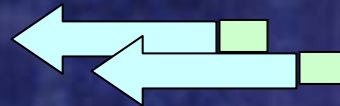
Young and healthy professional, not very active, married, not often in travel...

Class 2



Middle age professional, rather healthy, single, traveling a lot, occasionally drinking...

Class 3

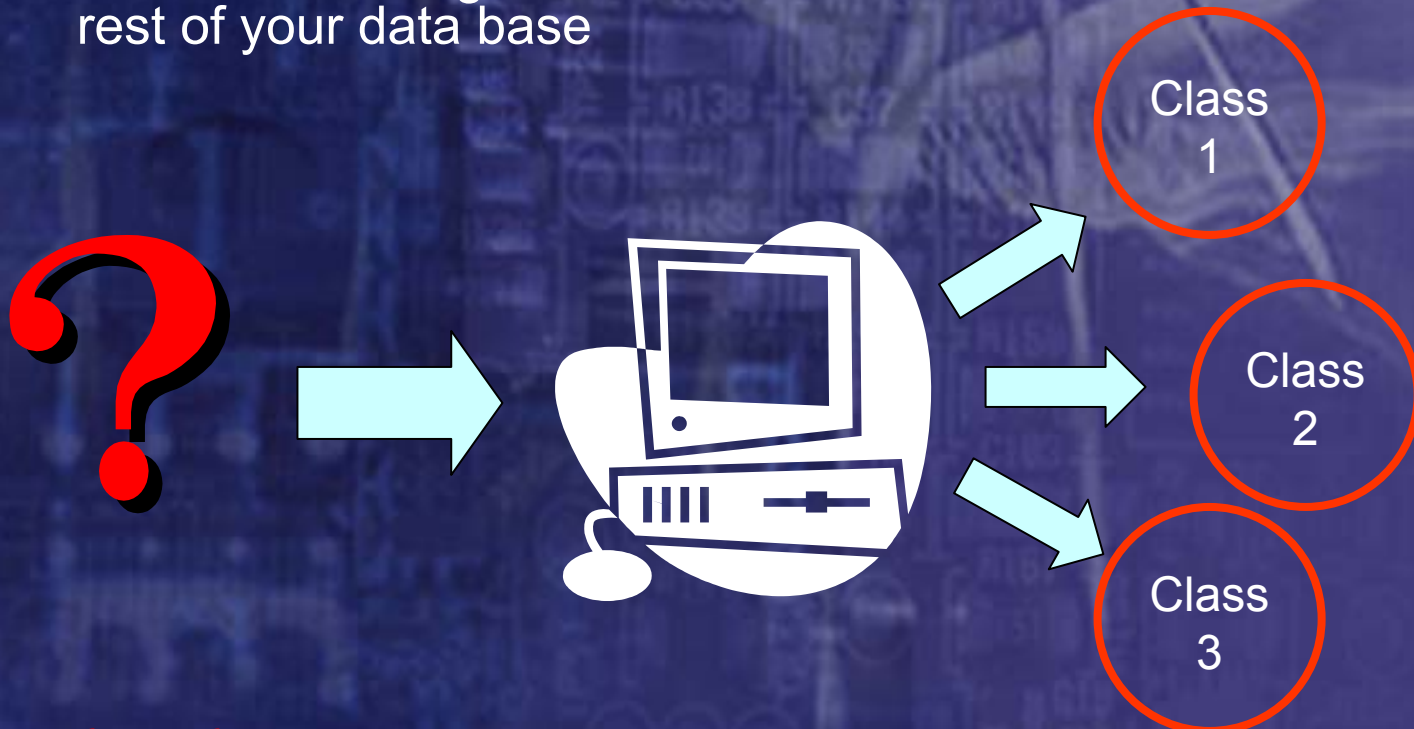


Middle age physical worker after few diseases, heavy smoker and occasional drinker, single...



Result

- ❖ Once you doubt about one certain customer he can be easily classified into the classes fitting in the rest of your data base



Summary

